Small Business Foundation of Michigan

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EXECUTIVE SUMMARY

Michigan Entrepreneurship Scorecard: Towards an Entrepreneurial Economy

March 1, 2005

Mark H. Clevey, Senior Vice President

Introduction

The Small Business ***Foundation*** of Michigan (SBFM), in collaboration with Dr. Graham Toft, Thomas P. Miller and Associates (Attachment I), has undertaken a *first in the nation* entrepreneurial-based economic analysis of the Michigan economy (see Attachment II). In preparing this report, SBFM notes our strong agreement with the National Governor Association, Center for Best Practices, report which concludes that a,

> **"significant mismatch between economic development practice and the needs of entrepreneurs continues to plague state efforts to encourage the high-growth businesses. This mismatch reflects the longstanding focus of economic development efforts on large firms or "small business: clients, the inflexibility and inadequate of state programs relative to entrepreneur's needs and the need to provide support for entrepreneurship both as a career option and as a skill-set through states' educational institutions."[1]**

Given the state of the Michigan economy and the fact that most economic development is derived from entrepreneurial small firms, SBFM is gravely concerned and thus strongly endorses the

1 NGA Center for Best Practices, A Governor's Guide to Strengthening State and Entrepreneurship Policy, 2004, pp 8.

following National Commission on Entrepreneurship statement:

> **"If entrepreneurial companies are the source of new jobs and reinvestment in communities, failure to foster entrepreneurship… is simply an unacceptable policy choice"**[2]

Towards this end, our *"let the chips fall where they may"* scorecard provides a series of **standard metrics** which we use to benchmark Michigan among **ALL** states – *not just those that make us look good (or bad)* - in terms of *"inside-out"* (robust business creation, retention and expansion) versus *"outside – in"* (business attraction) economic development. The Foundation hopes this research will foster a *call-to-action* for the creation of a robust **"Entrepreneurial Economy",** characterized by a dramatic improvement in:

- ***"Entrepreneurial Dynamism"*** – The level of innovation and entrepreneurial business creation, retention and expansion; and

- ***"Entrepreneurial Climate"*** - The vitality and health of the surrounding economy that supports and fosters robust entrepreneurial dynamism.

Background: State Score Card

Every Year The Competitiveness Group of Thomas P. Miller and Associates (Attachment I) prepares a State Score Card grading the 50 states by five drivers of economic growth (Education and Workforce Development; Business Climate and Productivity; Government and Regulation; Infrastructure and Quality of Life; and Dynamism and Entrepreneurialism). The drivers are composite scores derived from **88 metrics**. Based on these 88 metrics, the overall top 10 states in the 2004 report are:

1. Washington	6. California
2. Utah	7. Alaska
3. Delaware	8. Iowa
4. Massachusetts	9. Colorado
5. Virginia	10. Wyoming

Michigan Entrepreneurship Scorecard

The ***Michigan Entrepreneurship Scorecard*** project is a unique State Report Card in that it uses an additional **"entrepreneurial" metrics** and expanded existing subdrivers (for a total of 116 metrics) to look at the Michigan economy through the ***fine lens of entrepreneurialism*** and the innovation economy (See Attachment III).

The overall purpose of the *Michigan Entrepreneurship Scorecard* is to measure the performance and progress of the small business sector of the Michigan economy and to ***grade the entrepreneurial vitality*** (i.e., Entrepreneurial Dynamism and Climate) of the State compared to the other 49 states.

2 National Commission on Entrepreneurship Embracing Innovation: Entrepreneurship and American Economic Growth, April, 2000, pp 8.

- **What is the Entrepreneurship Scorecard? -** The Scorecard uses two sets of Metrics ("Drivers") to measure entrepreneurial vitality: First Order and Second Order Drivers (See Attachment IV). The metrics represent all the known ingredients that we believe are important to the creation of a fertile environment for entrepreneurial success. The measurements will help establish a roadmap for robust small business growth in Michigan. An important part of that roadmap is improving entrepreneurial dynamism in our state.

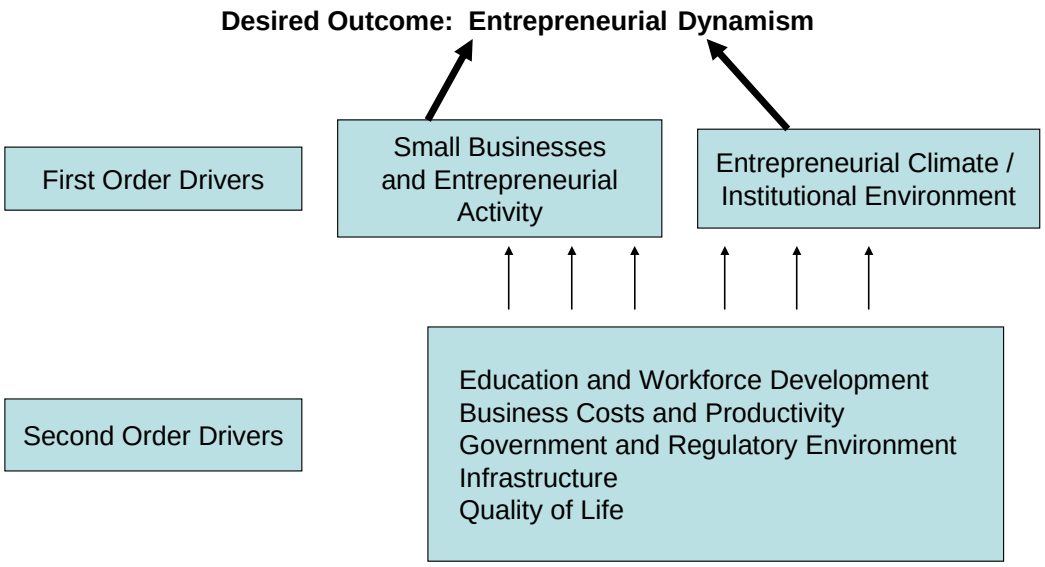
- **Why is it important to have a Scorecard? -** Michigan has the nation's highest unemployment rate. Our economy is significantly underperforming the rest of the nation. Traditionally, small business job growth has more than made up for job losses in big companies. But that has not occurred in Michigan. Research has shown that small business job growth comes predominately from small businesses (particularly high-growth, high-performing firms known as "gazelles"). It's important to assess the conditions that support survival of Michigan small businesses – especially the young, high growth firms that are new job providers. These are the companies that benefit from a high level of entrepreneurial dynamism.

- **What do we mean by entrepreneurial dynamism? -** Entrepreneurial dynamism goes beyond static measures of small business activity and seeks instead to measure economic change. To evaluate entrepreneurial dynamism means assessing numerous elements crucial to job growth and economic vitality, including growth in high-performing small firms, business churn, growth in self-employment and other changes in entrepreneurial activity. Entrepreneurial activity and dynamism is a necessary, but not a sufficient condition for economic development. Focusing solely on the number of new firm births and deaths or small businesses does not reveal the quality of the activity taking place. It is therefore not only important to support startups and small and high-tech businesses but to make sure that the **right conditions exist to support survival. This report therefore analyzes a wide range of metrics that contribute to different facets of entrepreneurial dynamism and can therefore provide a more complete picture.**

  The following diagram shows what is believed to be the causal relationship between the drivers and sub-drivers of this Score Card. These relationships are being tested statistically. At the top is the desired outcome: ***entrepreneurial dynamism***. According to the literature, two primary drivers affect entrepreneurial dynamism, the level of small business and entrepreneurial activity and entrepreneurial climate. These drivers combined make up the Innovation and Entrepreneurship Index.

  Further, these three variables are affected by a multiplicity of factors in the broader economy. These are called the secondary drivers and fall under 5 categories. Education and Workforce Development; Business Costs and Productivity; Government and Regulatory Environment; Infrastructure; Quality of Life.

State Innovation and Entrepreneurship Score Card Structure



Entrepreneurial Index = Entrepreneurial Dynamism + SB & E Activity + Entrepreneurial Climate / Institutional Environment

- **What are the highlights of the grades? -** Factoring in all 115 metrics, Michigan bunches with a large number of other states in the lower middle of the pack:

Michigan Performance

Overall	**C**
ENTREPRENEURIAL DYNAMISM	**F**
***FIRST ORDER DRIVERS*:** **(See Attachment IV)**	
Small Business and Entrepreneurial Activity	**D-**
Entrepreneurial Climate / Institutional Environment	**C**
Ideas & Innovations	B
Financial & Institutional Capital	F
General Dynamism	C
SECOND ORDER DRIVERS:	
Education and Workforce Development	**B+**
Business Costs and Productivity	**C-**
Government and Regulatory Environment	**C-**
Infrastructure	**C**
Quality of Life	**C**

- **Do any of the states have a good Overall Grade? -** Colorado is tops with a B+, followed by 6 states with a B grade: Virginia, Maryland, Utah, South Dakota, Delaware, and Massachusetts.

- **Which states have the worst Overall Grades? -** West Virginia has a D-, followed by two states with a D+: Kentucky and Mississippi.

- **Does Michigan get good grades in any of the specific metrics? -** Michigan gets an A- in Post-Secondary Education, a B+ in public safety, a B in Workforce and Physical Infrastructure, and a B- in Household Economic Indicators.

- The big question for Michigan? Given the highly competitive nature of today's innovation economy, **what will it take for Michigan to break out of the pack and catch up with the leaders. One very promising approach is to *foster a highly robust and dynamic entrepreneurial economy*.**

Conclusion

Michigan does not have a strong hold against its competitors. Considering all our economic challenges, **a C is simply not good enough!** We need to sprint ahead. But **we are hobbled in the race for economic growth by an "F" failing grade in entrepreneurial dynamism.**

The Transfer of University Technology to Michigan businesses is a case in point. The annual federal R&D budget exceeds $100 Billion dollars. This funding goes to universities, and other researchers, to pay for the research and development of breakthrough scientific and technological innovations. Michigan universities secure **hundreds of millions** of state and federal R&D grants each year to research and develop breakthrough scientific and technological innovations. These same universities could be generating substantial revenue each year from the sale of these scientific breakthroughs to industry where they could be converted into breakthrough *Made-In-Michigan* technology innovations, products and processes. Michigan universities and colleges, however, have a dismal track record in selling the results of their research to industry

While "Technology Review"[3] rates Michigan universities high with regard to "quality" of technology portfolio, on the basis of "quantity" of technology commercialized (sponsored research, licensing income, start-up companies, etc.) only the University of Michigan ranks in the top 10 among U.S. colleges and universities in the AUTM Annual Licensing Survey. [4] Indeed, less than 1% of the annual budget of every university in the state is derived from the sale of licenses to their research results.

In an Entrepreneurial Economy, research and development is not an end in itself: but a means to a commercial end. It is ONLY when research is commercialized that a return on investment to tax payers is generated in the form of jobs and economic development. As a State we need to generate a lot more money from the **sale** of university research results to Michigan entrepreneurs than we spend on university research every year. Along with the Technology Review, AUTM Annual Licensing Survey, the Entrepreneurial Scorecard is the measurement tool we will use to help manage the transition to the Entrepreneur Economy.

3 Technology Review, Technology Review Index, 2005.
4 Association of University Technology Managers (AUTM) annual survey of Technology Licensing Performance for U.S. and Canadian Academic and Nonprofit Institution and the Technology Investment Firms.

Future Michigan Entrepreneurial Scorecards

It is the intent of the SBFM to publish a Michigan Entrepreneurial Scorecard on an annual basis. The Inaugural issue of the Michigan Entrepreneurial Scorecard was funded by a grant from MERRA (see below). SBFM is seeking funding to support annual updates of the Scorecard. Contributions to the SBFM, a 501 c 3 charitable foundation, are deductible for tax purposes.

Founded in 1975, the Michigan Energy Resource Research Association (MERRA) was a 501 c 3 non-profit corporation involved in fostering collaborative research, development and commercialization projects involving university, government and both large and small businesses. MERRA was officially dissolved in the late 1990's. Under the direction of Dwight Carlson, MERRA Chairperson and Rob Risser, MERRA Treasurer, MERRA's remaining assets were officially transferred to the SBFM to support entrepreneurial small business development in Michigan.

For More Information

SBFM will release the full Michigan Entrepreneurial Scorecard in late March, 2005. Hard copies of the report will be available on the SBFM website and by request. Mark H. Clevey, SBFM Senior Vice President and Director, Small Business Blueprint Project, will be available, upon request, to present the report and its findings to policy makers, economic development specialists and stakeholders upon request.

For more information please contact:

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Attachment I

About the Authors

The Michigan Entrepreneurial Scorecard project is led by two individuals:

Dr. Graham Toft is a Senior Fellow at Thomas P. Miller & Associates, Indianapolis, is a well respected strategic planner specializing in how the "innovation economy" brings change to communities, regions, states and industries. Dr. Toft is a Senior Fellow at Thomas P. Miller & Associates, Indianapolis, where he undertakes applied research, policy development and facilitated problem solving. Dr. Toft holds a Ph.D. from Purdue University in public policy and urban engineering.

In 1989, he was awarded the Distinguished Professional Planner Award by the Indiana Planning Association. Between 1988 and 2001 he was President of the Indiana Economic Development Council, Inc., the state's think tank on economic development. There, he led the preparation of strategic economic development plans for Indiana in 1988, 1994, and 1999. He has prepared studies and policy briefs on capital access, the use of business incentives, interfirm collaboration, business-education partnerships, infrastructure finance, small business development, labor market information, regulation policy, sustainable development, and global reach. He has consulted to over 50 local areas and five state governments on strategic economic development, policy planning, development finance, workforce strategies and small business development. He recently completed a series of presentations at national workforce conferences on "Talent Pool Strategies", a State of the Workforce Report for the Indiana Health Industry Forum and a regional strategic development plan for Western Piedmont, North Carolina.

Mark H. Clevey, MPA, is a Senior Vice President with the Small Business Foundation of Michigan. Mark is a veteran of the U.S. Air Force and a Western Michigan University Honors College Graduate where he received two academic scholarships. He holds a Masters Degree in Public Administration (MPA), with emphasis in new industry development and public-private partnerships. He also holds an Advanced Business Counselor Certification from the Michigan Small Business Development Center Network (MI-SBDC).

Mark has over 30 years of experience in cutting-edge business development and is a specialist in university technology transfer, government R&D grant procurement and cutting-edge business development. In recognition of his work in these areas, Mark has received several state and national awards, including: Special Projects Award ("Winners Program") (1990), MI Small Business Development Center Network; Innovation Advocate for the Year (1991), U.S. SBA; Innovation Achievement Award (1995), U.S. SBA; Tibbetts Award ("Model of Excellence") (1996), U.S. SBA; Vision 2,000 Award (1999) (Model Economic Development Program), U.S. SBA; 2000 Advance America Honor Role, American Society of Association Executives; and, Award for Excellence (2003), ENERGY STAR Small Business Program.

In recognition of his expertise Mark has been selected to serve as an advisor to the federal Small Business Innovation Research and Small Business Technology Transfer programs (SBIR/STTR). He has been selected to serve as an SBIR/STTR Phase II Commercialization Plan Reviewer for the National Science Foundation, Environmental Protection Agency and U.S. Department of Energy. He has also served as a Business Plan Reviewer for the NIST Advanced Technology Program (ATP). Finally, he is a Member of the Western Michigan University Industrial Advisory Board and the National Governors Association, Entrepreneurial Academy.

Attachment II

Small Business Blueprint Project

The Small Business Association of Michigan (SBAM) is one of the largest state-based associations in the nation dedicated to the interests of small businesses. Established by the past Chairpersons of the SBAM in 1994, the ***Small Business Foundation of Michigan (SBFM)*** is a 501c (3), public supported charitable foundation. **SBFM is working hard to become one of the nation's premier public policy think tanks focused on small business policy issues.**

The Small Business Foundation of Michigan (SBFM) has embarked on an aggressive ***"Small Business Blueprint"*** project to establish a roadmap for robust small business growth in Michigan. The Blueprint has *three* key parts:

1. SBFM Michigan Entrepreneurship Scorecard

The *SBFM Michigan Entrepreneurship Scorecard* looks at the state through the lens of **entrepreneurialism**. The Scorecard comprehensively evaluates Michigan's economic standing compared to other competing states. The Annual Benchmarking Report is widely distributed to key policy makers and stakeholders in the state as well as the small business community at large.

2. *SBFM Small Business Barometer*

The *Small Business Barometer*, now in its 11th year, is a quarterly study that examines the small business community throughout Michigan. Through telephone interviews with Michigan small business owners, the study tracks advances and decline in the Michigan business climate from the perspective of small business. The Small Business Association of Michigan (SBAM) sponsors the project with the support and participation of the Center for Urban Studies at Wayne State University. Small business owners are asked about their businesses' recent performance and future expectations in the areas of sales, number of employees, wages, profitability, and investments. Survey participants also rate the overall business environment, the fairness of the state tax structure, the state regulatory environment, and Michigan as a market for their goods and services.

3. SBFM Research Projects

The *SBFM Michigan Entrepreneurship Scorecard* and *Small Business Barometer* are used by the SBFM Board of Directors to create Policy Principles on issues relating to small business development. They also identify key areas and questions for further research and study. For example, in 2004/05 SBFM completed a Tax Study for Michigan.

Attachment III

State Innovation and Entrepreneurship Score Card: Structure and Metrics Summary
(Metrics in bold refer specifically to small businesses)

State Entrepreneurial

Desired Outcome: Entrepreneurial Dynamism:

Metrics:

- **Growth in # of Small Businesses**
- Growth in Fastest-growing firms
- **New Business Churn Growth**
- **Small Business Payroll Growth**
- Non-wage income growth

First Order Drivers

Small Business and Entrepreneurial Activity

Metrics:

- **New Business Churn**
- Self-employment
- University Spin-offs
- Fastest-growing companies
- Initial Public Offerings

Entrepreneurial Climate / Institutional Environment

Metrics:

Ideas & Innovations

- **SBIR**
- **University License/Options to Small Businesses**
- University R & D
- Patents
- Patent Productivity
- NSF proposal funding rate

Financial & Institutional Capital

- Venture Capital
- **SBIC**
- **STTR**
- Bank Commercial & Industrial Lending
- **Private Lending to Small businesses**
- Business Incubators

General Dynamism

- Gross State Product Growth
- Fortune 500 Headquarters
- Capital Investment in Mfg Growth
- Foreign Direct Investment Growth
- Export Growth
- Large Business Payroll Growth
- Industry R & D
- University Royalty / License Income
- Entrepreneurial Generation
- Net migration rate

Second Order Drivers:

Education and Workforce Development - Metrics:

K – 12 Education

- AP Overall
- High School Graduation Rate
- SAT,
- ACT
- NAEP 4th Grade
- NAEP 8th Grade

Post Secondary Education

- Associate's Degrees Granted
- Innovation Economy Associate's Degrees
- Bachelor's Degrees Granted
- Innovation Economy Bachelor's Degrees
- Graduate Degrees Granted
- Innovation Economy Graduate Degrees

- Two-Year Tuition
- Four-Year Total Fees
- U.S. News Undergraduate Reputation
- U.S. News Top-Ranked Graduate Programs
- College Migration
- Entrepreneurial programs and curricula

Workforce

- High School Diploma Attainment
- Bachelor's Degree Attainment
- High-tech Manufacturing Employment
- High-tech Services Employment
- Adult Education
- Managers

Business Costs and Productivity - Metrics

Business Costs

- Unit Labor Costs
- Energy Costs
- Worker's Compensation Costs
- Unemployment insurance Costs
- Business Taxes
- Metro Office Rents
- **Health Care premiums**

Productivity

- Gross State Product per Job
- Value Added in Manufacturing
- Service Industry Gross State Product per Job

Government and Regulatory Environment - Metrics

Government Efficiency

- Government Gross State Product
- Units of Government per Capita
- State & Local Tax Burden

Regulatory Environment

- Liability
- Malpractice Costs
- Tax Base Conformity
- Health Mandates

Infrastructure - Metrics

Physical Infrastructure

- Highway Quality
- Bridge Quality
- Railway Productivity
- Major Market Access
- Traffic Congestion

Digital Infrastructure

- Broadband Infrastructure
- Next Generation Internet
- Rural Online – Last Mile Internet
- Technology in Schools

Quality of Life - Metrics:

Economic Indicators

- Urban Cost of Living
- Urban Housing Costs
- Homeownership Rates
- Unemployment rate
- Involuntary Part-time Employment
- Government assistance
- Per Capita disposable personal income

Health

- Lack of health insurance
- Per capita public health spending
- Occupational fatalities
- Limited activity days

Environmental Quality

- Clean Air
- Water Quality
- Toxic Release Inventory
- Renewable Energy
- Recycling Rate

Public Safety
- Violent Crime Rates
- Property Crime
- Juvenile apprehensions
- Law enforcement employees

Leisure & Entertainment
- Arts & Culture Employment
- Recreation Employment
- Sports Employment

Outdoor Recreation
- Parkland
- Golf Courses
- Water and Winter Trails

Diversity / Equity
- Gender Equity
- Racial / Ethnic Equity
- Hate crimes
- Rural – Urban Disparity

Civic Energy
- Number of nonprofits
- Charitable giving
- Voter turnout

Attachment IV

Drivers

First Order Drivers

These metrics are very directly linked to entrepreneurial dynamism. **Small Business and Entrepreneurship Activity** measures the level of startups and entrepreneurial firms that are the basis for a dynamic entrepreneurial system. The self-employed are one measure of the stock from which employer firms and ultimately economic growth emerge (Kreft and Sobel, 2003), and self-employment provides individuals with a strong tool of labor force empowerment. Business churn or turnover is an often used measure of entrepreneurial activity but at the same time only reflects new companies and not the success of innovative activities of incumbent firms that are measured here as above average sales and revenue streams.

The **Climate or Institutional Environment** such as the general magnitude and effectiveness of investments in innovative activity, the availability of financial capital and the general level of economic dynamism all form the base on which entrepreneurial activity can grow. Investments and resources to create and exploit entrepreneurial opportunities are particularly important to small firms and startups that tend to have more resource constraints than large companies. Although not all small startups require large amounts of financial capital, better access to these resources will increases the likelihood of survival and success (Aldrich and Auster 1986, Hannan 1998) and encourage the entry of new individuals into entrepreneurial activity (Blanchflower and Oswald 1998). Equally, if the general economic is healthy and dynamic it will provide more resources in terms of financing, ideas and knowledge for start-ups and small businesses (Thurik et.al., 2002).

Second Order Drivers

Education and Workforce Development is generally agreed to be a significant factor in entrepreneurial activity. Empirical evidence shows that a higher skilled workforce is more entrepreneurial and that, for example, a lower share of high school attainment will hinder entrepreneurial dynamism (Sutaria 2001, Armington and Acs 2002).

The **Business Climate of a State** is a straightforward determinant of start-up costs for new businesses. It also impacts the chance of survival for new and small companies to the extent that it restricts resource flows. Productivity is a more complex indicator that is both a result and a force for entrepreneurial dynamism. Growth in labor productivity can result from changes in capital investment, technology, economics restructuring, demand intensity, or education and training. It therefore can be clearly the result as well as the driver of entrepreneurial dynamism.

Productivity improvements are often cited as a result of innovative activity (Audretsch and Keilbach, 2004). At the same time technological change can, for example, increase the demand for entrepreneurial activity as it creates a need for continuous innovation and adaptation as well as create new entrepreneurial opportunities (Thurik et.al., 2002).

Government Efficiency and Business Regulations are again often cited factors that affect startup rates and firm survival (Thurik et al 2002) as entrepreneurial activity and dynamism are driven by the perception of opportunities and the ability to exploit them. The government has to find the right balance

of ensuring a high return on investments in public assets and services while leaving enough freedom for entrepreneurs to undertake their business activities successfully.
Infrastructure, both of the physical and the digital nature, is a general enabling factor for entrepreneurial dynamism but is particularly important to small businesses that do not have resources to overcome any infrastructural shortcomings of the region.

Quality of Life has become in increasing focus of economic development, particularly since Richard Florida's book "The Rise of the Creative Class." States, regions and cities have to be increasingly concerned about how to attract not just businesses but individual entrepreneurs and young skilled workers in general who increasingly put an emphasis on quality of life in their location decisions. Although a goal in itself, quality of life is also a key determinant of economic performance in a global economy where attracting and retaining the "right" kind of workers is an important factor in competitiveness. Entrepreneurial dynamism in turn feeds the region with the resources to support and grow this quality of life.

Attachment V

First Order Drivers

ENTREPRENEURIAL DYNAMISM

A dynamic economy is not one that merely attracts new companies. It is one experiencing business failures as well as starts and shows the willingness of individuals to undertake new enterprises and contribute to wealth creation. In fact, one characteristic of today's innovation economy is the degree to which it is "churning" - residents coming and going, new occupations forming while other decline, businesses locating, then relocating. These are necessary factors for economic prosperity.

Midwest Performance

	2004	2003	2002
Ohio	B+	C	F
Illinois	C-	D	B-
Indiana	D-	D-	D-
Michigan	**F**	**D-**	**F**
Wisconsin	F	C-	D

State	2004
Wyoming	A+*
South Dakota	A+
Nevada	A+
Maryland	A
North Dakota	A
Utah	A
Kansas	A^
Virginia	A-
Nebraska	A-*
Montana	A-
New Jersey	B+
Ohio	B+
Arizona	B+
Colorado	B
Georgia	B
Florida	B
Alabama	B
Texas	B-
Louisiana	B-
Delaware	B-
Arkansas	C+
Idaho	C+
Oklahoma	C+
Hawaii	C
Rhode Island	C
California	C
Mississippi	C
Vermont	C-*
Connecticut	C-
Illinois	C-
Pennsylvania	D+
Alaska	D+
Maine	D+
Missouri	D
New York	D
New Mexico	D
Iowa	D
Kentucky	D-
South Carolina	D-*
Indiana	D-
West Virginia	F*
North Carolina	F
New Hampshire	F
Michigan	**F**
Oregon	F
Massachusetts	F
Wisconsin	F
Washington	F
Tennessee	F
Minnesota	F

SMALL BUSINESS & ENTREPRENEURIAL ACTIVITY

Small Business and Entrepreneurship Activity measures the level of startups and entrepreneurial firms that are the basis for a dynamic entrepreneurial system. The self-employed and net business churn or turnover are one measure of startup activity, whereas fast growing companies and initial public offerings give insight into the successfulness of innovative activities of incumbent firms.

Midwest Performance

	2004	2003	2002
Illinois	D+	C	C
Ohio	D	C-	D+
Indiana	D-	F	F
Michigan	**D-**	**F**	**F**
Wisconsin	F	F	F

State	2004
Colorado	A+
Arkansas	A+
Montana	A+
Utah	A
Virginia	A
Florida	A
South Dakota	A
Delaware	A-
California	A-
New York	A-
Nevada	B+
Texas	B+
Maine	B+
Massachusetts	B
Oklahoma	B
Tennessee	B
New Jersey	B
Georgia	B-
North Dakota	B-
New Hampshire	B-
Kentucky	C+
Oregon	C+
Maryland	C+
Pennsylvania	C
Rhode Island	C
North Carolina	C
Alaska	C
Minnesota	C-
Washington	C-
Vermont	C-
Nebraska	D+
South Carolina	D+
Illinois	D+
Ohio	D
Kansas	D
Connecticut	D
Arizona	D
Indiana	D-
Michigan	**D-**
Alabama	D-
Idaho	F
Louisiana	F
Hawaii	F
New Mexico	F
Iowa	F
Wyoming	F
Mississippi	F
Wisconsin	F
Missouri	F
West Virginia	F

SMALL BUSINESS & ENTREPRENEURIAL CLIMATE

The climate or institutional environment such as the general magnitude and effectiveness of investments in innovative activity, the availability of financial capital and the general level of economic dynamism all form the base on which entrepreneurial activity can grow.

The Ideas & Innovation sub-driver mainly measures investment in and returns to innovative activity, whereas the Financial & Institutional Capital sub-driver takes a look at the actually cash flow as well as institutional support for small firms and startups. The general dynamisms sub-driver captures the vitality and health of the surround economy that supports entrepreneurial dynamism.

Midwest Performance

	2004	2003	2002
Wisconsin	B+	B-	B+
Michigan	**C**	**C+**	**C**
Illinois	C-	C	C-
Ohio	D+	C	C-
Indiana	D+	D+	D+

State	2004
California	A+
Massachusetts	A+
Colorado	A
Maryland	A
Utah	A-
New Hampshire	A-
Rhode Island	A-
New York	B+
Minnesota	B+
North Carolina	B+
Wisconsin	B+
Virginia	B+
Montana	B
New Jersey	B
Pennsylvania	B
Texas	B
Vermont	B-
Washington	B-
Idaho	B-
North Dakota	B-
Arizona	C+
Georgia	C+
Delaware	C+
Hawaii	C+
New Mexico	C
Oklahoma	C
Oregon	C
Michigan	**C**
Nevada	C
Connecticut	C
Maine	C
Alabama	C-
Florida	C-
Illinois	C-
Tennessee	C-
Alaska	C-
Ohio	D+
South Dakota	D+
Wyoming	D+
Indiana	D+
Kentucky	D+
Louisiana	D-
Missouri	D-
Iowa	D-
Mississippi	D-
West Virginia	D-
Arkansas	F
Nebraska	F
Kansas	F
South Carolina	F

ENTREPRENEURIAL INDEX			
	2005	2004	2003
Colorado	A	A	A+
Maryland	A-	B+	B-
Montana	A-	C+	B
Utah	A-	A-	B+
Delaware	B	C+	B
North Dakota	B	D+	C-
Texas	B	B	B-
Florida	B-	C+	C+
Georgia	B-	B-	C+
Massachusetts	B-	A-	A
New Jersey	B-	C+	C
New York	B-	B	B-
South Dakota	B-	D+	C+
Wyoming	B-	C	B-
California	B+	A-	A-
Nevada	B+	B	B
Virginia	B+	B+	C+
Alabama	C	D-	D+
Hawaii	C	B-	D+
Louisiana	C	D-	C-
Maine	C	B+	B
Minnesota	C	B+	A-
Nebraska	C	D+	D+
New Hampshire	C	B-	B-
North Carolina	C	C+	B+
Ohio	C	C	D-
Pennsylvania	C	C+	C
Washington	C	B+	C
Alaska	C-	C	B-
Connecticut	C-	B	C
Illinois	C-	C-	C
New Mexico	C-	C-	D+
Oregon	C-	C	C+
Tennessee	C-	C+	C+
Wisconsin	C-	C	C-
Arizona	C+	B-	C+
Arkansas	C+	C-	C+
Idaho	C+	B	B
Kansas	C+	D+	D+
Oklahoma	C+	C-	B-
Rhode Island	C+	C	B+
Vermont	C+	C+	B
Indiana	D-	D-	D-
Kentucky	D-	D+	D+
Missouri	D-	F	D-
Iowa	D+	C	F
Michigan	**D+**	**D+**	**D-**
Mississippi	D+	F	D-
South Carolina	D+	C-	C-
West Virginia	F	D-	F